

the President

TOP SECRET

COM. NO. _____
NSC Progress Report on
5404/F
January 7, 1955

NATIONAL SECURITY COUNCIL

PROGRESS REPORT
on
U. S. POLICY ON BERLIN.
by
THE OPERATIONS COORDINATING BOARD



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AMERICAN SECURITY COUNCIL - REPORTS Report No. 100-14547
20 JANUARY 1955

MEMO...

...and when a person's behavior is significantly influenced by other individuals, he tends to identify himself with the group, and his personality tends to merge with that of the group. This occurs most frequently to those who are less intelligent, less well educated, and less experienced.

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

January 6, 1955

MEMORANDUM FOR: Mr. James S. Lay, Jr.
Executive Secretary
National Security Council

SUBJECT: Progress Report on NSC 5404/1 (Berlin)
(Policy Approved by the President, January 25, 1954)

There is attached the second progress report by the Operations Coordinating Board on NSC 5404/1, "United States Policy on Berlin", covering the period from May 1, 1954, through November 30, 1954. The report was approved by the Operations Coordinating Board on December 29, 1954.

Elmer B. Staats
Elmer B. Staats
Executive Officer

Attachment:
Progress Report on NSC 5404/1
(Berlin), dated 12/29/54

"TOP SECRET"

December 29, 1954

PROGRESS REPORT ON NSC 5404/1UNITED STATES POLICY ON BERLIN(Policy Approved by the President, January 25, 1954)A. SUMMARY OF MAJOR ACTIONS

(References are to paragraphs of ANNEX "A" - Detailed Development of Major Actions.)

1. The determination of the Western Powers to remain in Berlin has been conveyed to the Soviets in the London communique of October 3, 1954, which reiterated Allied security guarantees for the city. Other NATO members were invited to associate themselves with this guarantee. The firm attitude of the Western Powers was also demonstrated by a communique of the NATO Council on April 23, 1954, which stated that NATO members had no intention of recognizing the sovereignty of the so-called German Democratic Republic. The practice of having top U.S. officials occasionally visit Berlin, as evidence of our special interest is continuing. (Para. 8a)

2. Vigorous support is being given to measures to bolster Berlin's economy and morale: investment, work relief, military procurement and refugee housing programs have succeeded in raising industrial production to about 80% of the 1936 level and reducing unemployment to about 160,000 as compared with 64% and 209,000 a year ago. On both counts, however, Berlin still lags behind other large cities in Western Europe. Plans for fiscal year 1956 are being made on the basis that U.S. policy requires a steadily expanding Berlin economy to bring unemployment down to manageable proportions. Twenty-five millions dollars has been requested for FY 1956. After FY 56 if funds from other sources, including repayments of counterpart loans, prove insufficient continuing moderate amounts of U.S. economic assistance will be required for the next few years. (Para. 8c and 8i(3))

3. In an effort to influence the East Germans and exploit the Western propaganda advantage, special projects are underway either in operation or planning stages; extensive information activities are continuing; exhibits in free Berlin, especially one on peaceful uses of atomic energy, have been popular and influential; a scholarship fund has been established for some East German students at Berlin's Free University. Surplus food worth \$685,000 was distributed to flood disaster areas in East Germany. The \$3 million made available by the President in June 1954, for East Zone projects may be exhausted in a few more months (Paras. 8d and 8f)

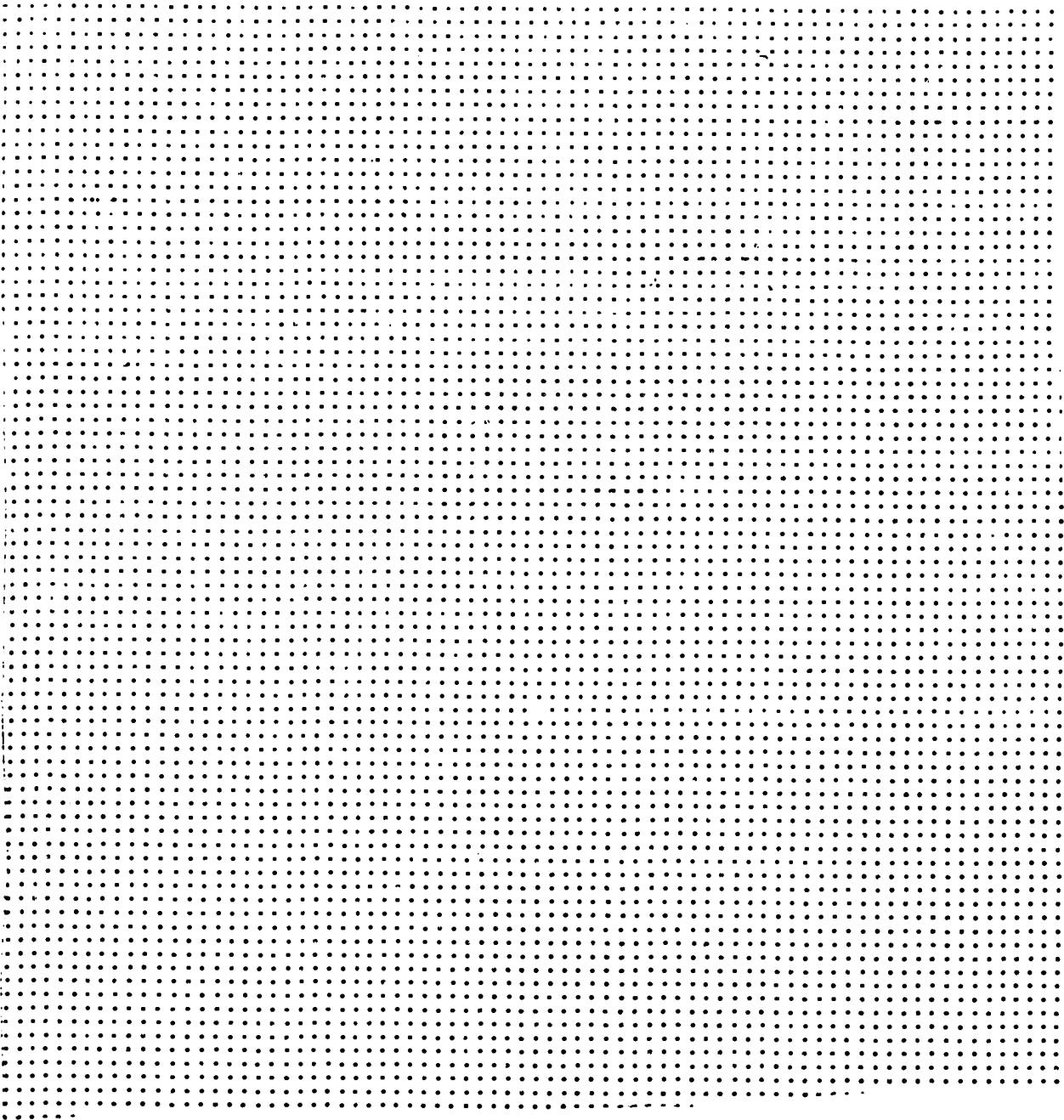
4. A review of stockpile reserves indicates that most categories are adequate for a six to twelve months period, with food and fuel stocks generally sufficient for one year. Raw material stocks, including those in private hands, are estimated to be enough for six or seven months. No new contracts have been let to increase stocks and none is contemplated. About \$15 million earmarked for raw material stocks is being held in liquid form. This fund is in the hands of the Federal Republic as a result of an Allied-German agreement. It is expected that arrangements will be made at an appropriate time with the German Government to spend these funds for other purposes to aid Berlin. Attention will be paid to the need to avoid apprehension on the part of the Berliners with respect to non-fulfillment of original stockpile targets. (Paras 6e, 8i(4) and 8i(5)).

5. The Allied High Commission has prepared a report which (a) examines the various problems that could arise from the Soviet declaration of greater "sovereignty" for East Germany and (b) makes recommendations as to the position which the Allies should adopt toward possible future measures by East German authorities in the fields of general access to Berlin, travel documentation, commercial relations, protection of foreign interests in East Germany and participation of East Germany in international organizations. This report, which has been approved by the Allied governments, indicates inter alia that the Allies would have to refuse to submit to actual control of access to Berlin by the GDR, although GDR officials acting as agents of the U.S.S.R. would be tolerated up to a point. A summary of the report was officially noted by the NATO Council on September 24, 1954 and supplements the unanimous resolution of the Council on June 23, 1954 to the effect that the GDR would not be recognized and that NATO members will consult over problems which may arise out of the GDR's increased "sovereignty". (Para 8i(2)).

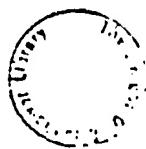
6. Negotiations and plans are underway to improve relations with local West Berlin authorities. On October 23, 1954 the three Allied Foreign Ministers issued a statement indicating their determination to insure the greatest possible degree of self-government in Berlin compatible with Berlin's special situation and to that end instructing Allied representatives to consult with the Berlin authorities. Negotiations are now underway to implement this policy. It is expected that the commandants will shortly issue a joint statement of liberal intent regarding use of Allied authority. Modifications in the old document of control will then be negotiated in consultation with Berlin authorities. (Para 8i(6)).

B. OPERATIONAL CONSIDERATIONS BEARING ON POLICY

7. The working group believes that there is no need at this time to reconsider policies set forth in NSC 5404/1, para. 8h, provided that implementation is temporarily postponed of the provision calling for the U.S. to seek to persuade the U.K. and France to adopt U.S. policy on Berlin.

C. EMERGING PROBLEMS AND FUTURE ACTIONS

10. The possibility of East German or Soviet harassment of Berlin, especially as a consequence of ratification of the Paris Agreements, is under active consideration by the OCB Working Group which is also reviewing the recommendations of the Allied High Commission on this subject. (The High Commission report is described in para. 5, page 2.)



11. Some reports on the East Zone indicate a greater feeling of despair and an attitude of resignation or complacency among East Germans. While this development does not mean an acceptance of the regime, or a lack of basic desire to be associated with the democratic West, it does serve as a warning of possible weakness. The possibility of this development among young people poses a particular problem. In addition to food, of which there is less need than heretofore, greater consideration should be given to the desirability and feasibility of other types of programs involving an intellectual or spiritual appeal, such as projects designed to support East Zone Church activities, educational scholarships, and other urgent youth activities. (Para. 8d and 8f)

Attachment:

ANNEX "A" - Detailed Development of Major Actions.

ANNEX "I" - DETAILED DEVELOPMENT OF MAJOR ACTIONSA. Statement of Actions by Paragraphs of NGC 5/54/1

Paragraph 8a: Convey to the Soviets Western determination to remain in Berlin and to resist forcefully and promptly measures challenging the Western position.

Status: A communique issued at the close of the Nine Power Conference in London on October 3, 1954 reiterated the Three Power security guarantee for Berlin as previously expressed in the tripartite declaration of May 27, 1952. This declaration stated inter alia that the maintenance of the Western position in Berlin was essential to the peace of the free world and that any attack on Berlin from any quarter would be viewed as an attack on the Allies. On October 22, 1954 the NATO Council noted with satisfaction that its members associated themselves with the tripartite declaration at London. Attention was again called to this tripartite declaration in a three power statement on Berlin by the Allied Foreign Ministers at the end of the Paris Conference on October 23, 1954.

The firm attitude of the Western Powers was also demonstrated by a communique issued by the NATO Council on April 23, 1954 concerning the announcement that the East Germans had been granted increased "sovereignty". The Council noted with approval that the members of NATO had no intention of recognizing the sovereignty of the so-called German Democratic Republic (GDR) or of treating the German authorities there as a government.

In addition, the continuing special interest of the U.S. in the future welfare and security of Berlin has been evidenced by the visit of several top governmental officials to the city, e.g. the Deputy Defense Secretary, Assistant Defense Secretary, Secretary of the Air Force, Secretary of the Army, and ex-President Hoover.

Paragraphs 8b and 8i(1): "Be prepared to undertake any feasible reprisals against specific local harassments.

Status: A tripartite study of potential reprisals applicable primarily in Berlin and Western Germany remains available for application should local harassments be imposed. This catalogue of retaliation is agreed at the technical level tripartitely and requires only the formal approval of the High Commissioners.

Paragraphs 8c and 8i(3): "Support all feasible measures to bolster Berlin's morale and economy; keep under review German Federal Republic financial and other support for Berlin."

Status: Extensive and vigorous measures to bolster the economy of West Berlin have been taken. They have been accompanied by continued evidence of the city's economic recovery. By the end of September 1954, unemployment in West Berlin had declined to 161,000 out of a working force of about 965,000 compared with unemployment at the end of September 1953 of 209,000. The index of industrial production had risen from 64 (1936 equals 100) during the third quarter, 1953, to 81 at end August 1954. It is anticipated that unemployment will be reduced further to about 120,000 during FY 55. The flow of investment capital into the economy provided through our investment program, the expansion in construction aided by our contribution to the Refugee Housing Program and to public investment, as well as the increase in defense procurement in Berlin, have played an important part in compiling this record of progress.

The \$25 million requested by the executive branch for Berlin assistance for fiscal year 1955 was embodied in Section 403 -- Special Assistance by for Joint Control Areas -- of the Mutual Security Act of 1954, passed by Congress in August. This legislative action was welcomed in Berlin. Because direct and prompt action has more impact on public opinion and morale, efforts have been made to clear the way for committing the funds to the German authorities. It is believed that conversations leading to such commitments initiated in November will have the maximum effect in inducing the Federal Republic to increase its contribution to Berlin. The transfer of \$23.7 million of the appropriated funds is now being discussed in Germany.

Implementation of the investment program in Berlin has been generally satisfactory. It is anticipated that counterpart funds will flow at an accelerated rate into increasingly diversified channels of the Berlin economy during fiscal 1955. FY 56 plans for the investment program have been framed in the realization that U.S. policy requires a steadily expanding economy in West Berlin to bring unemployment down to manageable proportions. If continuing appraisals and analyses of the West Berlin situation indicate that insufficient funds will be available from repayments of counterpart loans and other sources in future fiscal years, to permit the continuation of appropriate political and economic conditions there, the U.S. will be required to provide additional economic assistance. To meet these possible needs and to demonstrate our determination to maintain a free and healthy outpost of democracy in the face of increasing Communist efforts to improve conditions in the East Zone, a request for \$25 million for the Berlin program during fiscal 1956 is being submitted to the Bureau of the Budget.

Other measures undertaken to support Berlin's economic recovery include allocation of DM 51.9 million from GARIOA repayments in June to lend support to the Work Relief Program during the current German fiscal year. These funds, supplementing contributions by the Federal Republic and the Berlin Senat, are directed increasingly to productive activity and provide

employment to some 40,000 jobless Berliners on construction projects which serve as substantial evidence of U. S. support of Berlin.

Housing construction has been spurred by our Refugee housing Program. Ground was broken in three projects, totalling 1,300 dwelling units, in July.

Extensive efforts to increase defense procurement have been made. On July 6, the Defense Department restated its determination to maximize procurement in Berlin and from August 28 to September 5 held a "European Industry Exhibit Berlin" to promote procurement. Cooperative action in this field is beginning to yield results.

Plans for the construction of a center for the Berlin garment industry have reached a point where financing details involving some counterpart and Work Relief assistance have been set. It is anticipated that construction on a seven-story building center will begin in the spring of 1955. Paragraphs 8d and 8f: Continue to provide funds for special projects to influence the people of the Soviet Zone; continue to exploit the unrivaled propaganda advantages.

Status:

(1) General Program: As a result of the OCB action in June 1954, \$3 million was made available for projects designed to influence the people of the Soviet Zone and to encourage the spirit of resistance to Communism. Under the authority of Section 513 (b), MSAct of 1953, the President authorized the transfer of \$3 million for special East German programs at the close of FY 54. These funds and/or their counterpart were to be used to support such kinds of activity as i) support for East Zone participants at West German meetings, ii) travel expenses for individuals, iii) support for East Zone participation in West Zone youth activities, iv) scholarships, v) addition of textiles to food packages. The proposals approved in June have since been the subject of detailed negotiation and agreement with the Federal Republic. These agreements were designed to assure the full use of the funds for the aims indicated, to make certain of selective and controlled expenditures, and to elicit as far as was feasible the continuation of Federal Republic activities along the same lines.

Recent reports indicate that not only have comprehensive agreements and arrangements been made firm, but expenditures are being made at a rate which is likely to use up the funds in a few months. There are indications in the report that in some cases the optimal use of the funds has not been possible because the German authorities believe the funds would be too quickly exhausted. A further report from West German observers of the state of morale in the East Zone indicates that there is considerable feeling of despair and an attitude of resignation or complacency among East Germans. While this development does not mean an acceptance of the regime,

or a lack of basic desire to be associated with the democratic West, it does serve as a warning of a possible growing weakness in some quarters. This same report also indicates a serious fear of a food shortage during the winter. This prospect will be kept under consideration by the OCB Working Group.

Since it is the purpose of this government to act while the opportunity remains and since there are signs of a growing weariness and discouragement among the East Germans, (we know at present there are indications that there is less need for food) further modifications of the present program are under consideration:

- 1) It is recommended that in selected cases the Federal Republic again consider subsidizing two-way travel to East Germany instead of one-way.
- 2) That the problem of bulk shipment of textiles be further explored and a new recommendation made if this program appears to be desirable.
- 3) That further consideration be given to assisting activities of the churches in the East Zone.
- 4) That greater assistance be rendered to students and a maximum degree of flexibility be maintained in granting scholarships to refugees.
- 5) That new funds not so far allocated be directed to additional scholarships or other urgent youth activities.

In the meanwhile, Bonn is being requested to estimate the accomplishments of the program and the time when different parts of the program will have exhausted the funds allocated.

(2) Relief Projects: In addition to provision for the care and processing of refugees, U. S. agencies arranged upon Presidential authorization for the distribution through the International Red Cross of \$65,000 worth of surplus food to flood-disaster areas in East Germany. It was determined that shipments of foodgrains and foodstuffs could be justified for approximately 110,000 flood victims.

(3) Continuous U. S. Orientation Projects: Steady efforts of U.S. information media are continuing, especially in the field of radio and press.

(4) Projects for Special Events: (a) On September 24 the U.S. opened an atomic energy exhibit in Berlin as part of the city's industrial fair. This exhibit, which stressed the peaceful uses of the atom and the desire of the U.S. to share such development, was opened by an address by the U.S. High Commissioner. The timing of this exhibit was such as to

coincide fairly closely with the address of the Secretary of State before the UN General Assembly, which called attention to U. S. proposals on atomic development. The exhibit in Berlin, as well as the industrial fair, proved highly successful. There were approximately 732,000 visitors, including 281,000 from the East, to this two-week fair. This compares with 700,000 visitors in 1953. The "atom" exhibit proved so popular that on October 16 it was re-opened for a month.

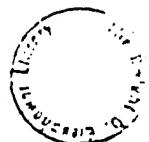
(b) On September 17 a new central library which bears the name American Memorial Library, was dedicated in Berlin. Built and equipped with a five million mark gift from the American people, the library dedication was attended by the U. S. High Commissioner, the Librarian of Congress, American contributors, and many prominent German officials. The Berlin public has evidenced great interest in this project.

(c) From August 28 to September 5, a "European Industry Exhibit Berlin" was sponsored by the U.S. Air Force in Europe in connection with its program for procurement of supplies in Berlin. The opening ceremonies included addresses by the High Commissioner and Lt. General Tunner, Commander-in-Chief U. S. Air Force Europe. This program assisted in the placing of industrial orders in Berlin.

(d) On July 10 German officials sponsored a ceremony commemorating the third anniversary of the Air Lift Memorial in Berlin. An additional feature was a concert by the U. S. Air Force Band which played to an enthusiastic audience of about 65,000 in the Olympic Stadium.

(e) On July 12, the second "Kinderlift" was inaugurated as the Air Force began the transport of some 1440 refugee and underprivileged children from Berlin to summer vacations in West Germany. A number vacationed in the homes of American families stationed in Germany. More than 13,000 other children were transported via German facilities.

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Paragraphs 8e, 8i(4) and 8i(5): Review the stockpile in the light of the likelihood that in the event of blockade, the Allies would resort to an airlift only as a supplement to other more positive measures; keep under review conditions of the stockpile and emergency equipment as well as plans for increased use of air transport in case of partial blockade.

Status: The last stockpile report of October 13, 1954 shows that the reserves in Berlin are in a favorable situation and that most categories are adequate for 6 to 12 months supply. Even the raw material segment for which there are still balances of unspent funds is now estimated to be 70% of the 12 months target. (This figure is based on a combination of special reserves and estimated private stocks.) The recent stockpile

meetings in Bonn have considered problems of rotation, replacement, and maintenance. There has been no considerations of increasing the reserves, or making any purchases other than those which have been contracted for earlier.

The exact amount of funds earmarked for the stockpile but not so far committed is estimated at about \$150 million. Under previous agreement these funds are in the hands of the Federal Republic. The German Finance Ministry has suggested that some portion of these funds be used to pay the cost of maintaining the stockpile. The State Department has queried the High Commissioner in Bonn as to whether at a later date it might not be possible to permit some of the food and fuel stocks to decline from 12 months to 11 months or slightly below in order to reduce the cost of maintenance. The idea of this proposal is to have a bargaining position with the German Minister of Finance so as to secure his agreement to release the funds he is holding for the stockpile for other purposes more likely to increase the morale, security, and welfare of Berlin.

Paragraph 8i(6): Plan improvement of relations with local authorities.

Status: On October 23, 1954 the three Allied Foreign Ministers issued a joint statement on Berlin which indicated their determination to insure the greatest possible degree of self-government in Berlin compatible with Berlin's special situation and instructed Allied representatives to consult with Berlin authorities to that end.

Allied representatives are now engaged in negotiations designed to implement this policy. It is expected that the Commandants in Berlin will issue a joint statement of liberal intent regarding the use of their authority, which will be exercised only to safeguard fundamental interests, such as the security of Allied troops, to maintain the status and security of Berlin and to comply with their obligations under international agreement.

Following the issuance of this statement by the Commandants, it is planned that a new document of control for Berlin will be negotiated in close consultation with the city's authorities. This document will probably be a modified version of the Declaration on Berlin which was signed in May 1952 but never put in effect.

In addition, other measures, such as changes in the operation of the Allied Kommandatura, will be sought by the U. S. element in an effort to promote a liberalization of relationships between Allied authorities and the Berlin Government.

Paragraph 9: If access to Berlin is seriously harassed or a blockade imposed, the U. S. should consult with its Allies and be prepared to: protest at the local level and in Moscow; hold the U.S.S.R. responsible; make use at an accelerated rate of any means of access still open; initiate mobilization; use in agreement with the Allies limited military force to determine Soviet intentions; solidify world opinion in our favor; evacuate dependents; use limited military force to reopen access.

Status: The Joint Chiefs of Staff are completing a review of U.S. USCINCEUR'S previous planning instructions with respect to Berlin, including implementation of the military aspects of NSC 5404/1, with a view to formulating further military guidance to be issued to USCINCEUR after formal approval by the Department of Defense with political guidance to be sought from the Department of State on appropriate aspects.